

Message Text

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42

ACTION EUR-12

INFO OCT-01 ISO-00 NSC-05 H-02 CIAE-00 DODE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 SP-02 /037 W

----- 063156

R 080900Z NOV 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 8003

INFO AMCONSUL MONTREAL

C O N F I D E N T I A L OTTAWA 4198

POUCHED TO ALL OTHER CONSULS IN CANADA

E.O. 11652: GDS

TAGS: PFOR, CA

SUBJECT: SCANDAL TOUCHES TRUDEAU GOVERNMENT

1. ON NOVEMBER 3, MP ELMER MACKAY, PROGRESSIVE CONSERVATIVE (PC), PLACED PETITION BEFORE HOUSE OF COMMONS CALLING FOR A JUDICIAL INQUIRY INTO POSSIBLE IRREGULARITIES IN LEASE RENEWAL OF DUTY-FREE SHOP AT MONTREAL'S DORVAL AIRPORT. APPARENTLY IN 1972 WHEN SKY SHOPS EXPORT LTD, WAS SEEKING FROM FEDERAL GOVERNMENT RENEWAL OF ITS LEASE TO OPERATE THE SHOP, THE COMPANY HAD ALLOWED LIBERAL SENATOR LOUIS GIGUERE TO PURCHASE COMPANY SHARES AT ONE-TWENTIETH THEIR MARKET VALUE WHICH HE SOLD A FEW MONTHS LATER FOR A PROFIT OF \$95,000. A LIBERAL PARTY FUND-RAISER IN QUEBEC PROVINCE, GIGUERE IS KNOWN IN QUEBEC (ACCORDING TO PC SOURCE) AS "TOLL GATE" WHERE PARTY AND PERSONAL CONTRIBUTIONS MUST BE DEPOSITED BY THOSE SEEKING FEDERAL FAVORS.

2. SUBSEQUENT PRESS REPORTS SUGGESTED THAT MINISTER OF HEALTH LALONDE, THEN PRINCIPAL SECRETARY TO PM TRUDEAU, PUT PRESSURE ON RECLUCTANT BRUEAUCRAT TO SETTLE MATTER IN SKY SHOPS FAVOR. PRESS AND MPS HAVE, FOR THE MOMENT AT LEAST, REFRAINED FROM FURTHER ATTACKES ON LALONDE FOLLOWING STATEMENT BY LATTER
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INSISTING THERE NOTHING IMPROPER IN HIS ROLE IN THE

AFFAIR. HEAT IS STILL ON GIGUERE, HOWEVER, WHOSE LACK OF CANDOR IN RESPONDING TO QUESTIONS HAS ENABLED PC TO CATCH HIM OUT ON QUESTIONS OF FACT AND THUS KEEP ISSUE ALIVE.

3. IN COURSE NORMAL EMBASSY CONTACTS, PC SOURCES HAVE EXPRESSED THEIR DELIGHT AT EMBARRASSMENT THIS AFFAIR IS CAUSING TRUDEAU GOVERNMENT AND HAVE BEEN UNABLE TO RESTRAIN THEMSELVES FROM HINTING THAT THEY HAVE MORE AND BIGGER SCANDALS UP THEIR SLEEVE TO BE PRODUCED WHEN TIME IS RIPE. THIS MAY BE REFERENCE TO A POSSIBLE SCANDAL IN QUEBEC INVOLVING A FEDERAL MINISTER WHICH HAS BEEN SPOKEN OF BY NON-PC SOURCE.

4. COMMENT: TOLERATION OF POLITICAL CORRUPTION IS, COMPARED TO US, RELATIVELY HIGH IN CANADA. TRUDEAU GOVERNMENT HAS REPRESENTED SOMETHING OF A DEPARTURE FROM CANADIAN TRADITION IN HAVING BEEN VIRTUALLY UNTOUCHED BY MAJOR SCANDAL. GIGUERE AFFAIR TARNISHES THAT IMAGE BUT, AS IT STANDS NOW, APPEARS WELL WITHIN LIMITS OF CANADIAN TOLERANCE, EVEN THOUGH GIGUERE GAUCHENESS AND PC ADROITNESS ARE COMBINING TO STRING IT OUT. IF INDEED PC IS ON TO SOME MAJOR SCANDAL, LOGIC WOULD ARGUE THAT THEY SHOULD SPRING IT NOW WITH LIBERAL PARTY CONVENTION UNDER WAY WHERE MAXIMUM DAMAGE COULD BE DONE TO TRUDEAU. FACT THAT THEY HAVE NOT DONE SO SUGGESTS EITHER THAT THEIR HINTS ARE EXAGGERATED, OR THAT THEY STILL LACK DETAILS, OR THAT THEY HAVE HOPES OF PERMANENTLY ALTERING TRUDEAU GOVERNMENT'S CLEAN REPUTATION BY PROTRACTED SERIES OF SCANDAL REVELATIONS. GIVEN THE CANADIAN ELECTORATE'S SHORT ATTENTION SPAN AND TOLERANCE FOR POLITICAL CORRUPTION, AND THE FACT THAT THE TRUDEAU GOVERNMENT HAS UNTIL 1979 BEFORE IT MUST CALL AN ELECTION, THE PC WOULD HAVE TO HAVE A VERY CONSIDERABLE QUANTITY OF CORRUPTION MATERIAL AVAILABLE IF IT HOPES TO DERIVE ELECTORAL ADVANTAGE FROM THE ISSUE. PC'S OWN EMBARRASSMENT OVER CURRENT STORY OF PROVISION OF \$300,000 SUBSIDY FOR PC'S QUEBEC LIEUTENANT MP CLAUDE WAGNER SOILS ITS OWN LINEN, TOO.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CORRUPTION, INVESTIGATIONS, POLITICAL PATRONAGE, PUBLIC ADMINISTRATION
Control Number: n/a
Copy: SINGLE
Draft Date: 08 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OTTAWA04198
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750389-0551
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751162/aaaacdgn.tel
Line Count: 109
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2003 by ElyME>; APPROVED <03 OCT 2003 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SCANDAL TOUCHES TRUDEAU GOVERNMENT
TAGS: PFOR, PGOV, CA, (GIGUERE, LOUIS), (LALONDE, MARC)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006